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7 BEFORE THE OFFICE OF THE INSURANCE COMMISSIONER
8 OF THE STATE OF WASHINGTON

9 In the Matter of the Application regarding the
10 Conversion and Acquisition of Control of
11 Premera Blue Cross and its Affiliates.

No. G 02-45

PRE-FILED TESTIMONY OF RALPH
HILL

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- 13 1. I am Ralph Hill, Deputy Director, Interim Chief Executive Officer of the Washington
14 Association of Community and Migrant Health Centers (WACMHC). WACMHC is a
15 member of the Premera Watch Coalition.
- 16 2. WACMHC is a nonprofit resource and advocacy organization for community based
17 nonprofit health centers in Washington State. WACMHC has twenty-two member
18 organizations as well as various affiliated members. In 2002 alone, WACMHC's
19 members served 388,244 people with over 1.3 million medical provider visits. Member
20 community health centers serve the full range of Washington health care consumers,
21 including persons covered by Medicare, Medicaid, the Basic Health Plan, private health
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PRE-FILED TESTIMONY OF RALPH HILL -

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1 insurance, and people who are uninsured and must cover the costs of their medical care
2 on their own or under members' sliding-scale fee arrangements.

- 3 3. WACMHC became aware of the impact of the proposed conversion because of its need
4 to constantly monitor Washington State's health care environment and its impact on
5 member Community and Migrant Health Centers and the patients they serve.

6 WACMHC intervened in this proceeding because of its concerns about the impact of the
7 proposed conversion. WACMHC decided to look for partners to help it in its effort to
8 stop the proposed conversion and in doing so became involved in the Premera Watch
9 Coalition.

- 10 4. WACMHC maintains that the Premera conversion request should be denied. Our
11 position is based upon our analysis of similar conversions and conversion proposals
12 throughout the nation that have had or would have had a negative impact on access to
13 health care. Additionally, WACMHC is concerned that if the conversion were to be
14 approved, the proposed plan undervalues the net worth of the current nonprofit Premera
15 organization and it limits the independence of the conversion foundation, leaving it
16 subject to Premera's control.

- 17 5. WACMHC believes that a nonprofit organization, such as Premera is currently
18 configured, has a responsibility to the community as a whole; for-profit corporations,
19 instead, are obligated to producing profit for stockholders, and may not be concerned
20 with community interests to the same degree. WACMHC is also concerned that this
21 conversion would establish a precedent by which other nonprofit health corporations,
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1 including health insurance companies, would seek to convert to for-profit status to the
2 detriment of the health environment in communities throughout Washington State.

3 6. Some of WACMHC's member community health centers contract with Premera for their
4 own employees' health insurance coverage. The conversion may have a detrimental
5 impact on the rates and/or services provided under those contracts, ultimately increasing
6 the cost of providing health care services to the community.

7 7. Some of WACMHC's member community health centers contract with Premera for
8 provision of medical services to clients of community health centers. The conversion
9 may have a detrimental impact on contract negotiations with Premera, resulting in fewer
10 resources to maintain operations for community access. For example, Premera may
11 change its contracting strategy if it goes to for-profit status. The strategy could result in
12 lower payment rates to providers, which could cause inadequate funds to continue
13 operations as they now exist. An example of this problem is Premera's recent contracting
14 disputes with several hospitals in Eastern Washington, which may represent Premera's
15 strategy to lower payments to providers in anticipation of the conversion.

16 8. WACMHC's member community health centers have a policy of providing health care
17 regardless of a patient's ability to pay. This policy grows out of our nonprofit members'
18 mission and commitment to serving the unmet health care needs in our local Washington
19 communities, just like nonprofit Premera's mission and the missions of the corporations
20 that preceded Premera and Premera Blue Cross. WACMHC's members provide services
21 on a sliding scale fee schedule, providing free and subsidized care to thousands of
22 Washington residents every year.
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- 1 9. WACMHC's members' ability to address the unmet needs in our communities is
2 dependent upon and related to the other players in our health system, such as other
3 providers, including hospitals, and health insurers. Premera's conversion could upset the
4 delicate balance that currently exists and allows WACMHC's members to provide
5 assistance to as many low-income and uninsured residents as it currently does.
- 6 10. Premera's proposed conversion could result in rate increases to WACMHC's patient
7 population that would make health insurance unaffordable. WACMHC's members will
8 be directly impacted by any increase in Washington's uninsured population, as more
9 patients who once afforded nonprofit Premera insurance become uninsured and seek free
10 or subsidized medical services from our member clinics. Increases in the demand for
11 free or subsidized care provided by WACMHC members will impact the financial
12 viability of community health clinics, which already operate on a very thin margin. In
13 order to ensure their financial viability, WACMHC members' activities to fulfill their
14 community benefit missions could be thwarted, and their provision of free and subsidized
15 health care reduced.
- 16 11. WACMHC's providers refer clients to various specialists that do not work for our
17 community health clinics. If, as a result of the drive for profits that will come with the
18 Premera conversion, for-profit Premera limits the specialists with whom it contracts,
19 WACMHC's members may lose vitally necessary referral sources for their patients.
20 Ultimately, reduction in access to specialists can cause a barrier to client care and an
21 increase in WACMHC's members provider liability, since, as providers, they must ensure
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1 proper referrals to other providers or they may be held liable for providing inappropriate
2 care or for abandoning the patient.

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4 I declare under penalty of perjury of the laws of the State of Washington that the
5 foregoing is true and correct.


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7 Dated this __ day of March 2004, in Seattle, Washington

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12 RALPH HILL
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2 care or for abandoning the patient.
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4 I declare under penalty of perjury of the laws of the State of Washington that the
5 foregoing is true and correct.
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7 Dated this 30th day of March 2004, in Kent, Washington
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11 RALPH L. HILL
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